

Organizational Structure

Executive Director

Kevin Mullally, Executive Director

The Executive Director is the Missouri Gaming Commission's chief operations officer. The Executive Director is responsible for daily operations and the policy of the staff, including the administration of the Commission's \$3.6 million budget. The Executive Director also serves as the primary liaison between the Commissioners and the staff.

Enforcement

Steve Johnson, Deputy Director

Existing property expansion, new casino openings and the evolution of electronic gaming devices formed the nucleus of the enforcement section's operations during this fiscal year. Hundreds of staff hours were expended in the investigatory processes attendant to the opening of the Isle of Capri casino in Boonville and the withdrawal of Isle's proposal for a casino in the Jefferson County area. In addition, many staff hours were expended in ensuring the suitability of the Ameristar - St. Charles property expansion from a regulatory viewpoint. Careful and comprehensive investigation by experienced agent-officers is necessary to ensure the integrity of gambling as well as the protection of assets and patron safety.

Other considerations that have required a focused enforcement staff effort include, but are not limited to, cashless wagering, slot integrity monitoring systems and the development of a meaningful dialogue with charitable gaming entities designed to facilitate the regulation of this industry. Statistically, charitable gaming in Missouri has continued to decline and we feel it is important to ensure that regulation and enforcement not be a significant consideration in this decline. While we remain sensitive to the dynamics of this industry, we have devised a no-tolerance policy designed to revoke the licensed status of charitable gaming sponsors who insist on augmenting their organization's cash reserves through the use of illegal gaming devices on or at their properties. We have noticed a measurable decline in the numbers of complaints of illegal devices by charitable licensees, presumably as a result of our policy.

Readers of this report will notice a subtle decline in the numbers of arrests made by agent-officers assigned to the Missouri Gaming Commission.¹ This decline may be attributed to several factors, the most notable being the reduction in the number of agent-officers assigned to the Gaming Commission. The Highway Patrol, in today's fiscal climate, continues to experience difficulty in attracting and compensating officers to replace those leaving the agency for various reasons. These across-the-board shortages have resulted in a smaller agent-officer contingent and correspondingly fewer



¹ Total arrests for FY 2001 were 1,688. In 2002, 1,273 arrests were made. This is a reduction of 415 arrests.

arrests. These considerations aside, our agent-officers have investigated several significant slot machine theft cases, made arrests and secured convictions at the federal level for these crimes.

The following information is offered as a summary of the activities of the various units assigned to the enforcement section.

Audit - The audit staff performs independent audits, reviews and investigations to identify and document noncompliance with laws, policies and procedures. Auditors recommend corrective actions related to internal controls and interpretation of policy and work closely with agent-officers in follow-up investigations arising out of audit findings as well as agent initiated cases. The audit staff complies with the Standards for the Professional Practice of Internal Auditing and Government Audit Standards. All audits are conducted in accordance with the standards for Professional Practices of Internal Auditing. Gaming is a very sophisticated business, more so today than ever before as a result of complex slot machine management systems. The industry is experiencing increasing automation in virtually every facet of this business from mixed drink delivery systems to electronic access control systems. In an attempt to adequately monitor and audit these functions, we have assigned a Commission auditor to each of the properties licensed in Missouri and are relying on a team approach to conduct comprehensive audits where indicated. During FY 2002, the audit staff prepared 37 audit reports reflecting the results of audits of casino operations.

Licensing – The licensing staff coordinates and implements the licensing of excursion gambling boats (Class A), issuance of Class A liquor licenses, licensing of suppliers of gambling games and administers License 2001, a statewide licensing program, which contains information on 15,172 Level I, Level II and service technician occupational licensees. License 2001 provides the Commission a vehicle to license and track all occupational licenses, as well as generate a monthly invoice for fees associated with applications, licenses issued, duplicate licenses and renewals for Level I, Level II and service technician occupational licenses.

During FY 2002, licensing, enforcement and IT staff were instrumental in the opening of Mark Twain Casino in LaGrange, with the processing of approximately 300 applicants, and Isle of Capri-Boonville, with the processing of over 700 applicants. The end of FY 2002 was the start-up of mass employee processing for the expansion of Ameristar - St. Charles with the anticipated licensing of 1,000 additional Level II employees.

Occupational gaming licenses issued statewide for FY 2002 totaled over 5,000, and renewals totaled approximately 6,500.

Training - During this fiscal year, our training laboratory became fully operational. This laboratory permits the duplication of casino floor operations to include surveillance and slot machine maintenance. We have expanded our curriculum to include instruction to industry representatives related to responsible gaming, Commission rules and regulations and fraudulent ID/underage detection. In addition to industry representatives, surrounding states that have casino gambling have sent agents to our schools. We have also hosted pre-

sentations from national credit card chains related to card fraud and from the Immigration and U. S. Naturalization Service on issues related to its function as it relates to our regulatory role. We have provided instruction to approximately 1,000 industry employees at their respective properties. We remain committed to providing the training necessary to facilitate our regulatory role in Missouri.

Charitable Gaming – The bingo enforcement section of the charitable games division seized 23 illegal gambling devices during FY 2002 containing approximately \$3,963 in cash. The Missouri Gaming Commission has emphasized repeatedly to charitable organizations that gambling devices will not be tolerated in the bingo halls. The Administrative Hearing Commission has upheld a number of discipline cases involving illegal gambling devices, which resulted in approximately \$11,920 found in 54 previously seized gambling devices being turned over to the county school fund in each county where the devices were obtained. See more detailed information on charitable gaming on pages 27-29.

Pari-Mutuel Horse Racing – Pari-Mutuel Horse Racing was established in the State of Missouri with the enactment of Senate Bill 572 in 1986. This allowed for wagering on the outcome of horse races in which those who wager purchase tickets of various denominations on a horse or horses in one or more races. To this date no track has been established in the state. The Gaming Commission was assigned the responsibility for governing pari-mutuel horse racing from the Missouri Horse Racing Commission in 1997.



Missouri State Highway Patrol – The Gaming Division of the Highway Patrol, pursuant to a memorandum of understanding with the Gaming Commission, provides criminal and regulatory enforcement of gaming operations within the state. Under the command of Captain Robert Bloomberg, the division is divided into four sections: Eastern District Enforcement, Western District Enforcement, Background Investigations and Administrative Services. The enforcement districts are responsible for enforcing Missouri statutes and Commission regulations on licensed casino properties. The background unit conducts investigations of individuals, companies and suppliers applying for licensure with the Commission, as well as persons applying for employment with the Gaming Commission. The background unit has a section that is responsible for regulating charitable games in Missouri. The administrative services section oversees the collection and preservation of evidence and property, division training, criminal records, case management and special projects performed by the Gaming Division.

Charges listed in the chart on the following page were filed as a result of arrests made by troopers assigned to the Gaming Division from July 1, 2001 through June 30, 2002.

TYPE OF CHARGE	NUMBER		TYPE OF CHARGE	NUMBER
Assault	24		Misc. Admin. Charges	2
Conservation	1		Motor Vehicle	81
Damaged Property	129		Obstruction of Judicial Process	592
Dangerous Drugs	41		Obstructing Police	3
Family Offense	5		Peace Disturbance	3
Flight/Escape	13		Prostitution	1
Forgery	34		Robbery	1
Fraud	45		Sex Offenses	3
Gambling	202		Stealing	80
Health & Safety	1		Stolen Property	7
Homicide	1		Weapons	3
Liquor Laws	1		Total Charges	*1,273

*These totals reflect the number of charges filed by agents of the Commission. The number of individuals arrested will be lower as some individuals may have multiple charges filed as a result of an individual incident. These totals also include arrests made attendant to outstanding warrants for criminal activity that did not occur on property of excursion gambling boats.

Administration

Debbie Ferguson, Deputy Director

The administration section of the Missouri Gaming Commission is responsible for managing all fiscal, personnel and recordkeeping resources of the agency. In addition, the administration section provides support services to 107 Commission employees and, pursuant to a memorandum of understanding, to 100 Highway Patrol officers assigned to the Commission. This section oversees budget development, revenue collection, accounts payable, accounts receivable, cost accounting, procurement, facilities management, support services, human resources, asset inventory and records management. The most significant change for the section in FY 2002 is the addition of a second personnel analyst II.

The second personnel analyst II position allowed for specialization of services in the human resources recruitment and selection section. The new personnel analyst II conducted a career development analysis for the staff. The focus was to help the organization by identifying employee career needs, desires, and problems and to collect information in an effort to establish future planning initiatives. These counseling sessions confirmed that the organization is in good condition. An overwhelming majority of the employees reported they are satisfied with their jobs and optimistic for the future.

The analysis resulted in development of a new performance evaluation form, general counseling form, employee orientation program and appointment of an employee representative.

The administration section developed and implemented a new employee identification badge during this past year utilizing its current badging system. The new identification badge went into effect in June 2002.

Goal setting was a key component for the administration section during 2002. During this process a new mission statement for administration was developed and cross training of staff was identified and implemented.

The following data shows the proceeds, including interest earned, from riverboat gaming and charitable bingo for education and veterans:



PROCEEDS TO EDUCATION			
	<u>Riverboat Gaming</u>		<u>Bingo</u>
Fiscal year ending 6/30/95	\$	56,616,282.04	\$ 6,253,703.96
Fiscal year ending 6/30/96	\$	99,730,320.67	\$ 4,684,178.52
Fiscal year ending 6/30/97	\$	118,419,389.02	\$ 4,615,579.50
Fiscal year ending 6/30/98	\$	144,490,378.94	\$ 4,384,174.86
Fiscal year ending 6/30/99	\$	161,287,348.65	\$ 4,412,395.16
Fiscal year ending 6/30/00	\$	178,884,081.17	\$ 4,304,256.18
Fiscal year ending 6/30/01	\$	188,341,342.95	\$ 3,912,466.82
Fiscal year ending 6/30/02	\$	<u>217,678,332.97</u>	\$ <u>3,414,691.13</u>
TOTAL	\$	<u>1,165,447,476.41</u>	\$ <u>35,981,446.13</u>
PROCEEDS TO VETERANS			
	<u>Bingo</u>		
Fiscal year ending 6/30/96	\$	273,775.68	
Fiscal year ending 6/30/97	\$	<u>47,800.63</u>	
TOTAL	\$	<u>321,576.31</u>	
TOTAL OF ALL PROCEEDS			\$ <u>1,201,750,498.85</u>

The Missouri Gaming Commission follows Section 313.835, RSMo, for operating fund transfers. It states: "All revenue received by the Commission from license fees, penalties, administrative fees, reimbursements by any excursion gambling boat operators for services provided by the Commission and admission fees authorized pursuant to the provisions of Section 313.800 to 313.850 shall be deposited in the state treasury to the credit of the Gaming Commission Fund which is hereby created for the sole purpose of funding the administrative costs of the Commission, subject to appropriation."

The statute also provides that the remaining net proceeds in the Gaming Commission Fund for each fiscal year are distributed to one of three funds in amounts defined in the statute. As a result, the amounts below have been transferred since the inception of the Gaming Commission Fund.

Fiscal Year of Transfer	Veterans Commission Capital Improvement Trust Fund	Missouri National Guard Trust Fund	Missouri College Guarantee Fund	Early Childhood Development, Education and Care Fund	Compulsive Gamblers Fund	Cost Allocation to General Revenue	Totals
FY 1994/1995	\$8,408,536.13						\$8,408,536.13
FY 1996	\$23,487,182.59						\$23,487,182.59
FY 1997	\$30,388,830.54						\$30,388,830.54
FY 1998	\$35,905,493.46						\$35,905,493.46
FY 1999	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$30,237,763.51	\$0.00		\$40,737,763.51
FY 2000	\$3,122,801.00	\$3,000,000.00	\$4,500,000.00	\$34,217,803.75	\$0.00		\$44,840,604.75
FY 2001	\$2,877,199.00	\$3,000,000.00	\$4,500,000.00	\$30,691,290.20	\$46,612.00		\$41,115,101.20
FY 2002	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$31,266,433.92	\$398,074.00	\$576,473.00	\$42,740,980.92
TOTALS	\$110,190,042.72	\$12,000,000.00	\$18,000,000.00	\$126,413,291.38	\$444,686.00	\$576,473.00	\$267,624,493.10

Legal and Legislative Affairs

Patricia Churchill, Deputy Director

The legal and legislative affairs section provides legal advice to the Commissioners, Executive Director and other Commission staff regarding riverboat and charitable gaming issues. The section assists the Commission in its quest to ensure riverboats, bingo organizations, suppliers and individual licensees abide by all laws and rules of the Commission; in particular, Commission lawyers are responsible for drafting proposed disciplines against licensees for violations of laws or rules and presenting those disciplines to the Commission. The legal staff also serves as a liaison with the Attorney General's office regarding discipline appeals and related matters.

In FY 2002, 16 disciplines were imposed on Class A excursion gambling boat licensees. Seven of these disciplines have appeals currently pending. The remaining nine disciplines resulted in fines ranging from

\$5,000 to \$250,000 for violations including late tax remittals, audit violations and misrepresentation to the Commission.

Level I licensees hold gaming licenses for key positions and occupational positions including managers, controllers and any other persons who conduct an occupation within a riverboat gaming operation and who are directed by the Commission to file a Level I application. In FY 2002, one Level I licensee was disciplined, receiving a 30-day suspension. The Commission has proposed denial of one Level I applicant. The applicant's appeal of the proposed denial is currently pending.

Level II licensees hold gaming licenses for occupational positions such as dealers, slot machine technicians and cocktail servers, to name a few. Disciplines were proposed against 164 Level II licensees. Of the 164 disciplinary actions proposed against Level II licensees, 33 were license revocations, 69 were license suspensions, seven were reprimands and 55 were denials of permanent licensure.

Disciplines imposed in the bingo section have ranged from written reprimands, to license suspensions, and in a few rare cases, license revocation. In the past year, 11 bingo organization licenses were fined and suspended and three organizations surrendered their licenses after the discovery of illegal gambling devices in bingo halls.

The legal and legislative section also serves as the liaison for legislative issues. As noted in the Chairman's message, we will be seeking some minor changes in the gaming statute so Missouri's gaming statute meets federal requirements. These changes will ensure the Commission can continue to access the Federal Bureau of Investigation (FBI) fingerprint database to run international criminal history checks on all license applicants. The Commission sought these changes during the 2002 legislative session; however, the bill became a vehicle for several other gaming provisions, including, among others, removal of the \$500 loss limit and an increase in the gaming tax and admission fee. These issues were the subject of vigorous debate and the bill ultimately died.

Commission staff is working with legislators to ensure this fingerprint legislation is pre-filed in December and will ask for consideration on the consent calendar.

The Commission will also seek legislation requiring casinos to pay interest on delinquent admission fees. A recent decision by one of the Commission's hearing officers pointed out that the current gaming statute provides specific language allowing the Commission to impose interest on delinquent adjusted gross receipt taxes. The language is missing, however, from the section imposing an admission fee. Thus, the Commission cannot assess interest against delinquent admission fees until the legislature grants it the authority to do so.

Corporate Securities and Finance

Jim Oberkirsch, Chief Financial Analyst

The primary functions of the corporate securities and finance section are financial reporting, gaming market analysis, financial suitability analysis of reported transactions and tax collection.

The Commission provides a monthly public market statistics report on the Commission's website.² The report provides data on adjusted gross receipts (gaming revenue), patron volume, admission counts and the amounts of the gaming tax and admission fees collected.

² www.mgc.state.mo.us/finan_map.html

The corporate securities and finance section is responsible for the analysis of the gaming markets in Missouri for the purpose of providing the senior staff with information they need to make decisions regarding expansion, rule changes and regulatory resolutions. Regarding expansion, the goal is to determine the timing, number and placement of additional casinos. The Commission's charge is to issue licenses to applicants that best serve the interests of the citizens of Missouri. In order to fulfill this responsibility, the Commission evaluates many factors, including whether new gaming capacity can be added to the market without unduly impacting previously licensed facilities. The Commission, in evaluating proposals for additional licenses, focuses on creating incremental growth, expansion of tax revenues, ancillary economic development and employment. Furthermore, it carefully scrutinizes the level of community support and the ability of the developer to minimize the negative social and economic impact of the facility. Thus, Missourians can expect the Commission to deal with expansion issues in a cautious and prudent manner that includes a lengthy public process. However, should a facility become substandard, fall into disrepair or otherwise become non-competitive, the Commission would be forced to consider new projects in that market of better quality that meet the high standards it sets for licensees.

The section also examines licensee company business transactions, including the issuance of debt or equity acquisitions, mergers and others. This analysis is done to determine whether the financial suitability of the gaming entity will be impaired due to the transaction and whether any regulatory action is necessary.

Another function of the corporate securities and finance section is the collection of the gaming tax and admission fees assessed upon casino licensees by statute. The critical role of the tax auditors is to audit the approximately 4,200 tax returns for accuracy and completeness. They also perform on-site tax audits, which reconcile documentation to the tax returns.

MISSOURI GAMING COMMISSION ORGANIZATIONAL CHART

